



17555 PEAK AVENUE MORGAN HILL CALIFORNIA 95037

MORGAN HILL

FINANCE AND AUDIT COMMITTEE

Morgan Hill Civic Center
West Conference Room
17555 Peak Avenue
Morgan Hill, California

Chair
Committee Member
Committee Member
Staff: City Manager
Finance Director
Asst. to the City Manager
Asst. Finance Director

Mike Roorda
Steve Tate
Larry Carr
Ed Tewes
Jack Dilles
Melissa Stevenson Dile
Tina Reza

REGULAR MEETING

Wednesday, October 27, 2004

MINUTES

6:01 P.M.

CALL TO ORDER by Chair Roorda

Chair Roorda, Committee Member Tate and Committee Member Carr
Staff: Tewes, Dilles, Dile, & Reza

DECLARATION OF POSTING OF AGENDA

In compliance with Government Code 54954.2

PUBLIC COMMENTS

The Morgan Hill Finance and Audit Committee welcomes comments from all individuals on any agenda item being considered by the Committee. In the interest of brevity and timeliness and to ensure the participation of all those desiring an opportunity to speak, comments presented to the Committee are limited to Three Minutes.

BUSINESS:

1. Approval of Minutes for September 29, 2004

The minutes for September 29, 2004, as corrected, were unanimously approved.

2. Banking Services

Staff presented the staff report concerning expiration of the current five year agreement with South Valley National Bank for banking services. Staff and Chair Roorda recalled that, at the time the City Council considered awarding the agreement five years ago, two banks, Bank of America and South Valley National Bank, made formal presentations to the City Council. Chair Roorda asked staff to find out about the competitiveness of agreements in the current marketplace. Staff responded that staff would inquire through professional list-serve resources. Committee Member Tate moved, and Committee Member Carr seconded, a motion to approve staff recommendations for staff to meet with South Valley National Bank to determine if they will meet or beat existing pricing on a one year extension of the existing agreement and, if so, to bring such extension to the City Council for approval, and for staff to include a request for proposals for banking services in the 2005/06 City Work Plan.

3. Revenue Enhancements

Staff provided a brief overview of the status of the Committee's work in bringing recommendations and information on the issue of revenue enhancements to the City Council. Staff indicated that it is appropriate for the Committee to further discuss what steps the City should take at this point in order for the City to actually identify and bring in the new revenue planned for in the City's budget sustainability plan. Staff had been asked at the previous Committee meeting to establish a process, with milestones, leading up to the Council retreat in January. Staff indicated that staff needed more guidance and clarification from the Committee at this point in order to provide the Committee additional information over and above what had already been provided. Staff indicated that it was staff's perception that an update of the five year General Fund projections would be helpful. Beyond that, staff believed that the basic building blocks have previously been presented to the Committee and it may be a matter of how to put those building blocks together.

Committee Member Tate indicated that a lot has already been done and that what may be needed is for the City Council to write down in their own words what the City should do. Chair Roorda described this process as asking the City Council to do homework on this topic. They both agreed that it would be beneficial to get the entire City Council on the same page prior to the retreat. The City Manager stated that at least one member of the City Council has indicated he believes the City does not need to have a 25% reserve by 2007/08. Chair Roorda responded that that would just delay the timing of bringing revenues and expenditures into balance. Committee Member Carr said he was not interested in revisiting all the assumptions related to the five year plan unless something has fundamentally changed. Staff responded that nothing has occurred as of this date to change the big picture projected in the current projections. Committee Member Carr added that drawing down more on reserves would buy more time for the economy to return, if that were one's assumption, but, unless staff comes back with big changes in the

projections, there is no compelling reason to change assumptions. The Committee's consensus was to keep the baseline assumptions the same and to move forward.

Chair Roorda asked if a workshop would result in a conclusion and unanimity. Committee Member Tate responded that it is important to not set the bar too high. It may be that the City council goes after some, but not all. Committee Member Carr indicated that he hopes that the City can engage the community, since the City keeps talking about the need for new revenues and there has been very little feedback. He stated he wants from the Council retreat a plan to get community input. Committee Member Carr asked if the City Council should appoint a task force with a mandate concerning not whether new revenues were necessary, but rather what are the appropriate revenue sources. He indicated it is necessary to put something out there for the public to react to. Chair Roorda responded that the City Council could pinpoint one new revenue source in each category, and set up a June 2006 special election or a November 2006 election based upon the results of community input. Committee Member Carr preferred an approach that asks what is the appropriate way to tax Morgan Hill. Committee Member Tate suggested whittling down the list of new revenue possibilities to 2 or 3 that could be in any categories, and that the committee should encourage the City Council to go through that exercise.

Committee Member Carr stated that the Committee should have staff bring back to the Committee more information, so that several questions could be asked in the framework of this process. Chair Roorda indicated that the list of revenues could be used to reduce the number of revenue source candidates and that a plan for community input could be devised. He asked if the previously presented packet of revenue source information would be the framework for the City Council meeting. Committee member Tate responded that he would like to see a longer list, rather than a shorter list, in order to spur thinking. He would like to see all previously presented information. Committee Member Carr would like each Council Member to come up with criteria each believes are important and put a master list of criteria together that a consensus of the City Council would accept. He saw the criteria and list compilation as the homework by the City Council for their January retreat. Chair Roorda added he would like to see the Council get through the previously provided matrix. The City Manager responded that adding up the numbers on the matrix may not lead to a consensus for potential acceptance. Committee Member Tate saw the matrix list as points for discussion.

Committee Members agreed that this topic needs to be discussed further and that staff should bring back the complete package of information previously shared with the Committee, with certain missing information provided..

4. September 2004 Finance & Investment Report

This item was not discussed. However, it was recognized that Chair Roorda would be making a report, on behalf of the Committee, concerning this information to the City Council at the City Council meeting later that evening.

5. Future Agenda Items (Discussion)

None.

ADJOURNMENT: 6:58 P.M.

NOTICE
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